
MANCHESTER CITY LIMITED

FINANCIAL STATEMENTS YEAR ENDED 31 MAY 2011

Registered number 2989498

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DIRECTORS AND ADVISORS

DIRECTORS OF MANCHESTER CITY LIMITED

K Al Mubarak (Chairman)
J MacBeath (Acting Chief Executive)
S Pearce
M Edelman
M Al Mazrouei

Club Secretary

R Baker

Registered Office

Etihad Stadium, Manchester M11 3FF

Registered Number

2989498

Bankers

Barclays Bank PLC, 51 Mosley Street, Manchester M60 2AU

Auditors

BDO LLP, 3 Hardman Street, Manchester M3 3AT

Solicitors

Shearman & Sterling LLP, Broadgate West, 9 Appold Street, London EC2A 2AP



CHAIRMAN'S STATEMENT

A year ago, on the instruction of Sheikh Mansour, Manchester City published its first comprehensive Annual Report for the benefit of the fans and the Club's broader stakeholders. It is pleasing that since the publication of that first report, we have seen tangible outcomes achieved in many important areas of the Club's operations as a result of the efforts made across the organisation.

Naturally, the Club's success on the pitch has been the most publicised of its accomplishments. With our best ever result in the Premier League, qualification for the UEFA Champions League, and a historic FA Cup campaign that delivered the Club its first piece of major silverware in 35 years, there is much to be proud of.

However, it is important not to underestimate the Club's other major achievements in terms of its continued commercial performance, groundbreaking partnership initiatives, expanding contribution to the community, and independent recognition for the quality of our facilities and match day offerings.

From the perspective of the Board and executive leadership team, these broader achievements are equally important signs of progress in the ongoing evolution of Manchester City Football Club, and are particularly encouraging when combined with the Club's historic performance on the pitch in the 2010-11 season.

Now that we are witnessing progress, both on and off the pitch, it is more important than ever to redouble our efforts towards achieving our long-term ambition to establish Manchester City as a more successful, sustainable and internationally competitive football club that remains at the heart of the community in which it is based.

When it comes to securing long-term sustainability, nothing will be more important than the investments we are currently making in youth development, our Academy and the Club's training and development facilities, and we remain committed to building upon our historically strong capabilities in this area.

The year ahead will bring many challenges. We will be competing in arguably the most challenging environment in world football in the UEFA Champions League, we will return to The FA Cup as defending champions, and we still remain two rungs below our ambitions in the Premier League. From a business perspective, we are also competing in a more competitive market than ever before.

These challenges are symptoms of our success. They come with the territory we have worked so hard to reach. The 2011-12 season will undoubtedly be one of the most exciting that Manchester City Football Club has experienced in decades, and the Club remains committed to working closely with its supporters, partners and employees throughout the year as we embark on the next phase of the Club's development.

Khaldoon Al Mubarak
Chairman
28 September 2011



CHIEF EXECUTIVE'S STATEMENT

This report documents what has been a historic year for Manchester City Football Club. With our best ever finish in the Premier League, qualification for the UEFA Champions League, and a hard-fought victory in The FA Cup it has truly been a remarkable season.

The Club has also continued to demonstrate its improved performance off the pitch in terms of increased revenue, the deepening of existing corporate partnerships and the establishment of new ones, and prestigious awards for the quality of the pitch and the match day experience for fans.

As an organisation we have continued to grow. While doing so we have worked hard to maintain and enhance our reputation as an employer of choice. The same is true of our commitment to responsible corporate citizenship, most visibly through the expansion of flagship initiatives such as the City in the Community program which this year celebrates its 25th anniversary.

The highlight of the season for many was the Club winning its first major piece of silverware for 35 years, and it is clear that this successful FA Cup campaign will be remembered for a very long time. The victory has given the Club even greater momentum at a pivotal stage in its evolution and confirmed how far we have come in recent years.

The broader impact of the Club's improved performance on the pitch should not be underestimated. Qualification for the UEFA Champions League will bring Manchester City direct benefits in the form of new broadcast revenue and expanded commercial opportunities for the Club and its partners during the 2011-12 season while our improved performance in the Premier League also delivers tangible rewards.

The challenge now is to ensure that the 2010-11 season turns out to be the beginning of a long and successful era for the Club and its supporters.

That means investing further in our Academy and player development capabilities, which is why the Academy Development Plan and our proposed world-leading training facility are two of the most exciting initiatives to have been announced in the Club's history.

We are also investing for the future in other ways. We have modernised our match day and ticketing capabilities in direct consultation with the fans, establishing a telephone and online ticketing system and we have tailored our membership packages to the changing preferences of our growing community of supporters.

Consistent with the Club's traditional values, we have expanded the potential of both the "City in the Community" and "City in the Community Giving" initiatives to use football more effectively as a platform to create new opportunities for young people in the Manchester area.

From a business perspective, we have reshaped our organisation to deliver commercial growth over time while continuing to put in place the systems and processes that will support the high-level performance and professional development of our employees.



CHIEF EXECUTIVE'S STATEMENT *(continued)*

The last year has shown us what we are capable of achieving. In the year ahead our focus must remain, as it always has been, on ensuring that Manchester City continues to evolve to become one of the most successful and sustainable football clubs in the world, while remaining true to its heritage and the community to which it belongs.

John MacBeath
Acting Chief Executive
28 September 2011



FINANCIAL REVIEW

The 2010-11 financial year has been characterised by ongoing investment in Manchester City Football Club's capabilities both on and off the pitch as part of a long-term transformation plan for the organisation

The primary focus of this investment, as with that of the prior reporting period, has been to provide the Club with a strong foundation upon which it can achieve long-term success and sustainability over time

There is evidence to suggest the Club is moving in the right direction

In terms of the team's performance on the pitch and the ongoing expansion of the Club's capacity to generate revenue we have made significant progress in recent years. In the last year alone the Club's turnover has increased by 22.5 percent (from £125.1m to £153.2m) and exceeded the £150m threshold for the first time in our history

However, the comprehensive nature of the transformation strategy and the pace at which it is being implemented continues to have a significant impact on our annual financial performance

For 2010-11 the Club has reported a net loss on a recurrent operations basis of £160.5m with additional exceptional charges of £34.4m for the current year, principally related to the revised carrying values of intangible assets

The overall result reflects an increase in operating expenses principally driven by staff costs and player compensation in addition to increased costs for the amortisation of player contracts

However, it also signals the end of a major period of investment in the playing squad with player compensation and contract amortisation costs for Yaya Toure, David Silva, Mario Balotelli, Aleksander Kolarov, James Milner, Jerome Boateng and Edin Dzeko, all of whom joined the Club in 2010-11, being reported for the first time

Losses of this scale will not be repeated. Consistent with the Club's transformation strategy, and mindful of the incoming UEFA Financial Fair Play regulations, this year's results are expected to represent the bottoming out of financial losses at Manchester City before the Club is able to move towards a more sustainable position in all aspects of its operations in the years ahead

This is already evident in the Club's approach to player transfers. Having purchased 7 full international first team players during the 2010-11 season, the summer 2011 transfer window has seen the Club reduce first team player acquisitions to 6 new players while selling 6 and putting 16 out on loan. In addition, the Club has continued to invest in the acquisition and development of youth talent through our highly respected Academy



FINANCIAL REVIEW *(continued)*

Most encouragingly of all, the Club has demonstrated a further expansion of its capacity to generate revenue from multiple sources during 2010-11, with key highlights as follows

- Match day ticketing revenue increasing by 82 percent on the previous year (from £18.2m to £19.7m), driven by increased average attendances, UEFA Europa League matches and FA Cup matches
- Television rights income increasing by 27.4 percent on the previous year (from £54.0m to £68.8m), largely driven by our highest-ever finishing position in the Premier League, participation in the UEFA Europa League and the Club's historic run in the FA Cup
- Commercial partnership revenue increasing by 49.7 percent on the previous year (from £32.4m to £48.5m), driven by the full year impact of continued long-term partnership deals with Etihad Airways, Umbro, Aabar, Abu Dhabi Tourism Authority and Etisalat.
- Match day hospitality, catering, conference and events revenue increasing by 61 percent on the previous year (from £9.8m to £10.4m), reflecting increased demand for match day hospitality products throughout the stadium
- Profitability from retail activities increasing to £2.6m following the entering into a long-term partnership with leading online retailer Kitbag to handle all club retail operations, including the opening of new retail stores in both Manchester and Abu Dhabi

In addition to the projected benefits of participating in the UEFA Champions League in the season ahead, a number of developments announced in the post year-end period are also expected to expand the Club's financial and operational capabilities

The signing of a comprehensive ten-year partnership between the Club and Etihad Airways in July 2011 is expected to have a positive impact on the Club's financial position over the next decade while providing new opportunities for our two organisations to expand cooperation between our businesses, most notably on the site of the new Etihad Campus

Meanwhile, the commencement of a public consultation process and subsequent planning application for the proposed development of a world-class youth training and football development facility in East Manchester represents a unique opportunity for the Club to expand its in-house player development capabilities and reduce the level of investment required for inward player transfers in the future.

Finally, underpinning the long-term nature of investment in the Club, the capital base has also been further strengthened in 2010-11 with £176.7m of new equity issued during the year and an additional £114.2m of equity issued in the post year-end period. This expansion of the equity base of the Company is consistent with prior period practice, strengthening the Club balance sheet through the issue of new equity rather than debt based funding

Graham Wallace
Chief Operating Officer
28 September 2011



BOARD OF DIRECTORS

The Board of Directors comprises

Khaldoon Al Mubarak - *Chairman*

Khaldoon Al Mubarak was appointed to the Board on 23 September 2008. He is CEO & managing director of Mubadala Development Company and chairman of the Executive Affairs Authority of Abu Dhabi. He is also a director of First Gulf Bank and ALDAR Properties.

John MacBeath - *Acting Chief Executive*

John MacBeath is a qualified Chartered Accountant with a wealth of international business experience. His early career was spent in the oil and gas industry undertaking a variety of financial and commercial roles with both BP and Statoil. More recently John has worked in the aerospace and defence sector carrying out a number of senior business development roles with BAE Systems - most recently Managing Director, Industrial and Business Development.

Mohamed Al Mazrouei - *Non-executive Director*

Mohamed Al Mazrouei joined Abu Dhabi Media Company as Chairman of the Board in July 2010. Mr Al Mazrouei is Under Secretary to the Abu Dhabi Crown Prince's Court, a role he assumed in April 2008. He also serves as a board member for Etihad Airways.

Simon Pearce - *Non-executive Director*

Simon Pearce was appointed to the Board on 23 September 2008. He is Executive Director of Strategic Communications Affairs for the Executive Affairs Authority of Abu Dhabi. He is also a director of twofour54 and ADMM, the owners and operators of Yas Marina Circuit.

Martin Edelman - *Non-executive Director*

Martin Edelman was appointed to the Board on 23 September 2008. He was a director of Cendant Corporation from 1997-2006 and was a director of HFS from November 1993 until December 1997. He has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000 and currently serves as a director of the Avis Budget Group.



REPORT OF THE DIRECTORS

The Directors submit their report and the financial statements for the year ended 31 May 2011

Result for the year

The loss for the financial year was £197,491,000 (2010 £121,300,000) The Directors do not propose a dividend (2010 £nil)

Principal activity and review of the business

The principal activity of the Group is the operation of a professional football club. A review of the business and future developments is included in the Chief Executive's & Financial Review Statements

Directors

The Directors who served during the year were as follows

K Al Mubarak	(Chairman)	
J MacBeath	(Acting Chief Executive)	
G Cook	(Chief Executive)	(Resigned 9 September 2011)
S Pearce		
M Edelman		
M Al Mazrouei		

Post balance sheet events

53,860,400 shares were issued to parent company, Abu Dhabi United Group Investment & Development Limited for £114.2m in cash on 29 July 2011

Political and charitable contributions

The Group made no political contributions during the year. Donations to UK charities amounted to £695,825 (2010 £423,856)

Supplier payment policy

The Group policy is normally to pay suppliers according to agreed terms of business rather than following any code or standard on payment practice. These terms are agreed upon entering into binding contracts and the Group seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

The Group had 11 days (2010 27 days) of purchases outstanding at the end of the financial year



REPORT OF THE DIRECTORS *(continued)*

Risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Group's performance. The Group's income is affected by the performance of the first team because significant revenues are dependent upon strong team performances in the Premier League, domestic and European Cup competitions. The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA and any change to these regulations could have an impact as the regulations cover areas such as the distribution of broadcasting income, the eligibility of players and the operation of the transfer market. The Club monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Financial Instruments

Details of the Group's use of financial instruments is disclosed in note 28.

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Group and are of interest to them as employees.

Disabled employees

Disabled employees are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain him/her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Auditors

The current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board


J MacBeath

Acting Chief Executive
28 September 2011



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements, the Directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgments and estimates that are reasonable and prudent,
- * state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MANCHESTER CITY LIMITED

We have audited the financial statements of Manchester City Limited for the year ended 31 May 2011 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- * give a true and fair view of the state of the Group's and the Company's affairs as at 31 May 2011 and of the Group's loss for the year then ended,
- * have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- * have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MANCHESTER CITY LIMITED** *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- * adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- * the parent Company financial statements are not in agreement with the accounting records and returns, or
- * certain disclosures of Directors' remuneration specified by law are not made, or
- * we have not received all the information and explanations we require for our audit.

Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom

Date 30 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2011

	Note	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
TURNOVER	2	153,186	125,050
Operating expenses - other	3	(229,822)	(180,153)
Operating expenses - amortisation of players		(83,847)	(71,006)
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(160,483)	(126,109)
Operating expenses - exceptional items	3	(34,448)	-
Total operating expenses		(348,117)	(251,159)
OPERATING LOSS		(194,931)	(126,109)
Profit on disposal of players		5,344	10,262
LOSS BEFORE INTEREST AND TAXATION		(189,587)	(115,847)
Interest receivable and similar income	5	88	696
Interest payable and similar charges	6	(4,610)	(3,992)
Stadium finance lease charges		(3,382)	(2,157)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	20	(197,491)	(121,300)
Basic and diluted loss per ordinary share (pence)	8	(58.3)	(69.6)

The results for both years relate to continuing operations
The notes on pages 18 to 34 form part of these financial statements



STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 May 2011

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Loss for the financial year	(197,491)	(121,300)
Unrealised deficit on revaluation of properties	-	(1,726)
TOTAL RECOGNISED LOSSES FOR THE YEAR	(197,491)	(123,026)

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 May 2011

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Reported loss on ordinary activities before and after taxation	(197,491)	(121,300)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	1,214	1,214
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	(196,277)	(120,086)

The notes on pages 18 to 34 form part of these financial statements

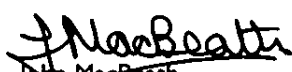


BALANCE SHEETS
as at 31 May 2011

		Group		Company	
		2011	2010	2011	2010
Registered number 2989498	Note	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	10	231,771	199,028	-	-
Tangible assets	11	214,051	207,254	-	-
Investments	12	-	-	46,486	46,486
		445,822	406,282	46,486	46,486
CURRENT ASSETS					
Stocks	13	-	481	-	-
Debtors	14	42,964	60,200	226,224	247,023
Cash at bank and in hand		30,330	34,601	-	-
		73,294	95,282	226,224	247,023
CREDITORS					
Amounts falling due within one year	15	(132,948)	(87,320)	(50)	(50)
NET CURRENT (LIABILITIES)/ASSETS		(59,654)	7,962	226,174	246,973
TOTAL ASSETS LESS CURRENT LIABILITIES		386,168	414,244	272,660	293,459
CREDITORS					
Amounts falling due after more than one year	16	(83,363)	(92,278)	-	-
Deferred income	18	(30,145)	(28,507)	-	-
NET ASSETS		272,660	293,459	272,660	293,459
Capital and reserves					
Called up share capital	19	36,682	28,348	36,682	28,348
Share premium account	20	658,048	489,690	658,048	489,690
Revaluation reserve	20	91,084	91,084	-	-
Profit and loss account	20	(513,154)	(315,663)	(422,070)	(224,579)
SHAREHOLDERS' FUNDS		272,660	293,459	272,660	293,459

The notes on pages 18 to 34 form part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 28 September 2011 and were signed on its behalf by


John MacBeath
Acting Chief Executive



GROUP CASH FLOW STATEMENT
for the year ended 31 May 2011

		Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
	Note		
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	25	(15,658)	(84,391)
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(2,722)	(4,871)
Interest element of finance lease payments		(3,734)	(2,010)
Interest received		88	34
NET CASH OUTFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		(6,368)	(6,847)
CAPITAL EXPENDITURE			
Purchase of intangible fixed assets		(155,120)	(139,837)
Sale of intangible fixed assets		11,449	17,513
Purchase of tangible fixed assets		(13,263)	(41,939)
Sale of tangible fixed assets		122	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(156,812)	(164,263)
NET CASH OUTFLOW BEFORE FINANCING		(178,838)	(255,501)
FINANCING			
Issue of shares		176,692	135,800
Loan capital repaid		(1,754)	(23,672)
Capital element of finance lease rental payments		(371)	(273)
New debt issued		-	159,600
NET CASH INFLOW FROM FINANCING		174,567	271,455
MOVEMENT IN CASH IN THE YEAR	26	(4,271)	15,954

The notes on pages 18 to 34 form part of these financial statements



NOTES

I ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and Company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain tangible fixed assets

The Group is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its parent undertaking that sufficient funds will be provided to finance the business for at least 12 months from the date of approval of the financial statements. Based on discussions with the ultimate owner and formal confirmation of support, the Directors continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 May 2011. The acquisition method of accounting has been adopted. Investments held as fixed assets are stated at cost less any provision for impairment.

Turnover

Turnover represents amounts receivable by the Group, excluding Value Added Tax and transfer fees, in respect of TV income, gate receipts, commercial activities relating to the Club and donations. Advanced season ticket sales are included within deferred income and released to turnover in the relevant season. Match revenue is recognised over the period of the football season as games are played. Commercial and other partnership revenues are recognised over the life of the relevant contracts.

Fixed assets and depreciation

Depreciation has been charged on tangible fixed assets as follows

Freehold buildings	–	2% straight line
Long leasehold buildings	–	estimated useful economic life of the asset
Short leasehold buildings	–	estimated useful economic life of the asset
Fixtures and fittings	–	10% straight line
Computer equipment	–	25% straight line

Cost includes directly attributable finance costs

These rates are designed to write off the assets to their residual values over their estimated useful lives. FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this the Etihad Stadium, held within long leasehold land and buildings, is subject to a full valuation on a depreciated replacement cost basis every five years with an interim valuation carried out in the third year of this cycle.

Where the Group's websites are expected to generate future revenues in excess of costs of development, then expenditure on the functionality of the website is capitalised.

Stocks

Stocks are stated at the lower of cost and net realisable value



NOTES (continued)

I ACCOUNTING POLICIES (continued)

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the contract period on a straight line basis. Impairments in value below the amortised value are provided for when the carrying amount exceeds the amount recoverable through use or sale.

Signing on fees

Signing on fees are charged to the profit and loss account over the life of the player's contract.

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

No deferred tax asset has been recognised as at 31 May 2011 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Capital grants

Grants receivable in respect of capital expenditure are treated as deferred income and released to the profit and loss account over a future period. This period will equal the economic life of the assets to which the grants relate in order to match the income to the depreciation charged on those assets. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

Pensions

The Group is a member of the Football League Pension and Life Assurance Scheme which has been closed for new employees. All pension schemes are defined contribution schemes and all contributions are charged to the profit and loss account as they become payable.



NOTES (continued)

2 TURNOVER

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Gate receipts	19,676	18,220
Television	68,827	53,962
Other commercial activities	64,683	52,814
Donations from development association	-	54
	153,186	125,050

All turnover originates in the United Kingdom

3 OPERATING EXPENSES

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Direct cost of sales and consumables	5,093	10,501
Remuneration of auditors and its associates		
Audit fees	38	44
Other services - taxation	77	48
Hire of other assets - operating leases	654	558
Capital grants released and amortised	(53)	(3,164)
Other external charges	44,179	34,396
Staff costs (note 4)	173,977	133,306
Depreciation and other amounts written off tangible fixed assets		
- Owned	3,115	1,696
- Leased	2,742	2,768
Amortisation of players' registrations	83,847	71,006
Exceptional items		
- Impairment of players' registrations	29,448	-
- Provision for disputed employment costs settlement	5,000	-
	348,117	251,159
Operating expenses comprise		
Operating expenses before amortisation of players	234,822	180,153
Amortisation of players and impairment of players' registrations	113,295	71,006
	348,117	251,159



NOTES (continued)

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the financial year, analysed by category, was as follows

Number of employees	Year ended 31 May 2011	Year ended 31 May 2010
Football staff - including players	205	190
Commercial/administration staff	181	223
	386	413

The aggregate payroll costs of these persons were as follows

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Wages and salaries	153,650	118,359
Social security costs	18,879	13,833
Other pension costs	1,448	1,114
	173,977	133,306

Directors' remuneration

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Emoluments (excluding pension contributions)	2,083	1,821
Aggregate payments to pension schemes	121	135
Amounts paid to third parties in respect of Directors' services	195	175

Emoluments of the highest paid director amounted to £2,083,000 (2010 £1,821,000). Company pension contributions of £121,000 (2010 £135,000) were made to a money purchase scheme on his behalf. Only 1 director received pension contributions from the Club.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Bank interest	88	34
Other	-	662
	88	696



NOTES (continued)

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Bank loans and overdrafts	34	401
Other loans	4,511	3,498
Finance lease interest	65	93
	4,610	3,992

7 TAXATION

(a) Analysis of tax charge in year

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Current tax		
UK corporation tax at 28% (2010 28%) on profits for the year	-	-
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	-	-

(b) Factors affecting tax charge for the year

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Loss on ordinary activities before taxation	(197,491)	(121,300)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	(54,645)	(33,964)
Effects of		
Expenses not deductible for tax purposes	1,425	144
Fixed asset timing differences	1,001	1,288
Other timing differences	4,600	816
Tax losses incurred in the year	47,619	31,716
Current tax charge for the year	-	-

The Group has corporation tax losses available for carry forward of approximately £444 million

(c) Factors that may affect future tax charges

The Company expects its effective tax rate in future years to be less than the standard rate of corporation tax in the UK due principally to the amount of tax losses available to be set off against future taxable profits



NOTES (continued)

8 BASIC AND DILUTED LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per share is based on a loss of £197,491,000 (2010 £121,300,000) being the loss for the year after taxation and the weighted average number of ordinary shares in issue for the year of 338,958,388 (2010 174,169,044)

9 COMPANY RESULTS

The Company has taken advantage of Section 208 of the Companies Act 2006 and has not presented its own profit and loss account. The result of the Company for the year was a loss of £197,491,000 (2010 £231,275,000)

10 INTANGIBLE FIXED ASSETS

Group

Amounts paid for players' registrations	£000
Cost	
As at 1 June 2010	306,479
Additions	165,063
Disposals	(57,498)
As at 31 May 2011	414,044
Amortisation	
As at 1 June 2010	107,451
Amortisation of players' registrations	83,847
Impairment of players' registrations	29,448
Disposals	(38,473)
As at 31 May 2011	182,273
Net book value	
As at 31 May 2011	231,771
As at 1 June 2010	199,028

The Company has no intangible fixed assets



NOTES (continued)

II TANGIBLE FIXED ASSETS

Group	Land and Buildings (Freehold) £000	Land and Buildings (Short Leasehold) £000	Land and Buildings (Long Leasehold) £000	Assets under course of const'n £000	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation						
As at 1 June 2010	32,145	2,669	163,891	-	17,644	216,349
Additions	138	-	-	1,133	11,992	13,263
Disposals	-	(23)	(13)	-	(669)	(705)
Reclassification	(663)	-	-	663	-	-
As at 31 May 2011	31,620	2,646	163,878	1,796	28,967	228,907
Depreciation						
As at 1 June 2010	1,398	178	2,535	-	4,984	9,095
Charge for the year	104	59	2,534	-	3,161	5,858
Disposals	-	-	-	-	(97)	(97)
As at 31 May 2011	1,502	237	5,069	-	8,048	14,856
Net book value						
As at 31 May 2011	30,118	2,409	158,809	1,796	20,919	214,051
As at 1 June 2010	30,747	2,491	161,356	-	12,660	207,254

The Company has no tangible fixed assets

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 'Tangible fixed assets'

	2011 £000
At depreciated replacement cost	161,180
Aggregate depreciation thereon	(4,692)
Net book value	156,488
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(8,121)
Historical cost net book value	72,711



NOTES (continued)

11 TANGIBLE FIXED ASSETS (continued)

Tangible fixed assets are shown at their original cost to the Group with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2009 from GVA Grimley Ltd on a depreciated replacement cost basis and was made in accordance with the Royal Institute of Chartered Surveyors' Asset Statements of Valuation Practice and Guidance Notes. The results of this new valuation have subsequently been incorporated into the financial statements.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding agreement to sell the assets has been entered into and it is unlikely that any gain will be rolled over.

The net book value of fixed assets at 31 May 2011 includes £157,610,000 (2010 £160,104,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,742,000 (2010 £2,768,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2010 £283,000).

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad Stadium. Rental payments are made quarterly based on a formula geared towards gate receipts, in excess of those achievable at Maine Road, and event income. The lease has been treated as a finance lease, with the lease premium and the net present value of future rental obligations capitalised.

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations a number of assumptions have been made as the obligation varies with ticket prices, number of games and attendance levels in particular. Future attendance figures have been estimated at an average of 42,500 per Premiership fixture. An interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2005 the assumptions were revised. This resulted in an amended initial finance liability of £39,609,000. The table below illustrates the sensitivity of the amended stadium finance lease creditor to changes in the assumptions on future attendance levels and inflation rates.

Inflation Attendance Levels	Lease Rates %	Obligation £000
35,000	1.0	9,732
35,000	2.0	10,930
35,000	3.0	12,556
45,000	1.0	38,965
45,000	2.0	45,095
45,000	3.0	53,412

Subsequent to the year end the Club entered into a new lease agreement in relation to the Etihad Stadium which will reduce the variability of the annual rental charge for the remainder of the lease period. The impact on the finance lease liability will be recorded in the financial statements for the year ended 31 May 2012.



NOTES (continued)

12 FIXED ASSET INVESTMENTS

Company	Shares in Group Undertakings £000	Total £000
Cost and Net book value at 31 May 2011	46,486	46,486
Cost and Net book value at 31 May 2010	46,486	46,486

	Country of incorporation	Principle activity	Class and % of shares held
Subsidiary undertakings			
Manchester City Football Club Limited	England and Wales	Professional Football Club	100% ordinary shares
Manchester City Investments Limited	England and Wales	Issuer of Loan Notes	100% * ordinary shares
Manchester City Property Limited	England and Wales	Letting of Own Property	100% * ordinary shares
Manchester City Developments Limited	England and Wales	Property Investment	100% * ordinary shares

* A 100% subsidiary of Manchester City Football Club Limited

13 STOCKS

Group	2011 £000	2010 £000
Goods for resale	-	481

The Group held no stocks as at 31 May 2011 due to its merchandising operations being outsourced during the year



NOTES (continued)

14 DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	8,608	47,325	-	-
Debtors arising from player transfers	18,363	8,427	-	-
Amount owed by subsidiary undertaking	-	-	226,224	247,023
Amount owed by related party undertaking	-	384	-	-
Other debtors	499	-	-	-
Prepayments and accrued income	15,494	4,064	-	-
	42,964	60,200	226,224	247,023

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Amount due to related party undertakings	7,457	-	-	-
Other loans	1,893	1,759	50	50
Obligations under finance leases	378	348	-	-
Trade creditors	2,420	3,180	-	-
Creditors arising from player transfers	75,993	61,697	-	-
Other taxation and social security	16,159	7,581	-	-
Accruals	28,648	12,755	-	-
	132,948	87,320	50	50

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Other loans	32,391	34,202	-	-
Obligations under finance leases	38,568	38,969	-	-
Creditors arising from player transfers	12,404	19,107	-	-
	83,363	92,278	-	-



NOTES (continued)

17 BORROWINGS

	External Loans 2011 £000	External Loans 2010 £000
Within one year	1,893	1,759
Between one and two years	1,782	1,811
Between two and five years	6,236	5,781
After more than five years	24,373	26,610
	34,284	35,961

External loans include £34,043,000 of loan notes (2010 £35,573,000). The first tranche of £30,300,000 is repayable in annual instalments over a 25 year period at a fixed interest rate of 7.27%. The second tranche of £13,700,000 is repayable in annual instalments over a 15 year period at a floating interest rate for the first three years and thereafter at a fixed interest rate of 7.57%. During the year £825,000 was repaid from the first tranche while another £783,000 was repaid from the second tranche. The notes are being repaid under a securitisation agreement serviced by future season ticket sales and matchday ticket sales. Details of all external loans are provided within note 28.

	Total Loans £000	Finance Leases £000	2011 Total £000	2010 Total £000
Within one year	1,893	378	2,271	2,107
Between one and two years	1,782	288	2,070	2,189
Between two and five years	6,236	256	6,492	6,259
After more than five years	24,373	38,024	62,397	64,723
	34,284	38,946	73,230	75,278

Finance Leases

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 11.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2011 £000	2010 £000
Within one year	2,230	2,203
In the second to fifth years	7,912	8,240
Over five years	119,379	121,304
Less future finance charges	(90,575)	(92,430)
	38,946	39,317



NOTES (continued)

18 DEFERRED INCOME

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Within one year				
Deferred income	28,869	27,178	-	-
Deferred credit for capital grants	53	53	-	-
	28,922	27,231	-	-
After more than one year				
Deferred income	-	-	-	-
Deferred credit for capital grants	1,223	1,276	-	-
	1,223	1,276	-	-
Total deferred income	30,145	28,507	-	-

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows	£000
As at 1 June 2010	1,329
Grants released in the year	(53)
As at 31 May 2011	1,276

19 CALLED UP SHARE CAPITAL

The issued share capital at the beginning and end of the year is as follows

	2011	2010
	£000	£000
Issued and called up		
366,699,711 (2010 283,354,382) Ordinary shares of 10p each - fully paid	36,670	28,336
20 Ordinary shares of 10p each - 2 5p paid	-	-
49,998 Redeemable deferred shares of £1 each - 25p paid	12	12
	36,682	28,348

During the year 83,345,329 ordinary shares of 10p each were issued for a consideration of £2.12 per share. The total consideration was £176,692,100 and the premium of £168,357,567 has been included in the share premium account (see note 20).



NOTES (continued)

19 CALLED UP SHARE CAPITAL (continued)

The deferred shares are redeemable by the Company at any time by giving not less than three months notice in writing at £1 or such amount together with all arrears and accruals of any dividend payable up to and including the date of redemption. On a winding up the holders of the redeemable deferred shares would rank behind the ordinary shareholders and would not be entitled to vote at any general meeting of the Company.

20 RESERVES

	Share Premium Group and Company £000	Revaluation Reserve Group £000	Profit & Loss Account Group £000	Profit & Loss Account Company £000
As at 1 June 2010	489,690	91,084	(315,663)	(224,579)
Retained loss for the year	-	-	(197,491)	(197,491)
Issue of shares	168,358	-	-	-
As at 31 May 2011	658,048	91,084	(513,154)	(422,070)

21 CONTINGENT LIABILITIES

Additional transfer fees, signing on fees and loyalty bonuses of £50,442,000 (2010 £43,100,000) which will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.



NOTES (continued)

22 RECONCILIATIONS OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Loss for the financial year	(197,491)	(121,300)	(197,491)	(231,275)
Revaluation adjustment	-	(1,726)	-	-
Issue of shares	176,692	440,736	176,692	440,736
Capital contribution	-	6,633	-	6,633
Net (decrease)/increase in shareholders' funds	(20,799)	324,343	(20,799)	216,094
Opening shareholders' funds/(deficit)	293,459	(30,884)	293,459	77,365
Closing shareholders' funds	272,660	293,459	272,660	293,459

The issue of shares in the previous financial year reflected £304.9m of capitalised shareholder loan debt as well as the issue of £135.8m of ordinary shares for cash.

23 PENSION

The Group is a member of The Football League Limited Pension and Life Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

At 31 May 2011 a Minimum Funding Requirement deficit was identified in the scheme, of which £170,496 (2010 £186,113) was allocated to the Group.

The latest full actuarial valuation was carried out at 31 August 2009 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £30,492 (2010 £27,648).

24 COMMITMENTS

The annual commitment for payments in respect of other operating leases

	2011	2010
	£000	£000
Expiring:		
Within one year	196	57
Within two and five years	-	164
After five years	-	-
	196	221

The capital commitments contracted but not provided for are as follows

	2011	2010
	£000	£000
Contracted but not provided for	-	2,581



NOTES (continued)

25 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011 £000	2010 £000
Operating loss	(194,931)	(126,109)
Amortisation and impairment of player registrations	113,295	71,006
Depreciation	5,858	4,464
Loss on disposal of fixed assets	486	137
Loan fees waived	-	(2,428)
Decrease/(increase) in stocks	481	(83)
Decrease/(increase) in debtors	28,863	(27,173)
Increase/(decrease) in creditors	30,343	(1,041)
Release and amortisation of grants	(53)	(3,164)
Net cash outflow from operating activities	(15,658)	(84,391)

26 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2011 £000	2010 £000
(Decrease)/increase in cash in the year	(4,271)	15,954
Net cash flow from movement in debt	2,125	(135,655)
Movement in net cash position in the year	(2,146)	(119,701)
Debt capitalised	-	304,936
Other non-cash changes	(77)	3,722
Opening net debt position	(40,677)	(229,634)
Closing net debt position	(42,900)	(40,677)

Other non-cash changes in the current year relate to the amortisation of loan issue costs

In the previous financial year it also included unpaid interest on shareholder loans rolled into additional loan debt.

27 ANALYSIS OF CHANGES IN NET DEBT

	As at 1 June 2010 £000	Cash flow £000	Other non-cash changes £000	As at 31 May 2011 £000
Cash at bank and in hand	34,601	(4,271)	-	30,330
Movement in net cash position in the year	34,601	(4,271)	-	30,330
Debt due within one year	(1,759)	(57)	(77)	(1,893)
Debt due after one year	(34,202)	1,811	-	(32,391)
Net debt (excluding finance leases)	(1,360)	(2,517)	(77)	(3,954)
Finance leases	(39,317)	371	-	(38,946)
	(40,677)	(2,146)	(77)	(42,900)



NOTES (continued)

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged since the prior year.

Interest rate risk profile of financial assets and liabilities

The Group has no financial assets, other than short term debtors and an amount of cash at bank. The interest rate risk profile of the Group's financial liabilities as at 31 May 2011 was

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non- interest financial liabilities £000
As at 31 May 2011	73,230	159	72,989	82
As at 31 May 2010	75,278	306	74,890	82

Debt is initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the debt.

The weighted average date to maturity of the non-interest financial liabilities is 1 year.

The floating rate financial liabilities comprise other loans of £159,000 repayable within 1 year attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured on certain assets of the Group).

The fixed rate liabilities comprise loan notes of £34,043,000 and finance lease obligations of £38,946,000 as detailed in note 17.

The maturity profile of the Group's financial liabilities as at 31 May 2011 is shown in note 17.

The carrying values of financial assets and financial liabilities approximate to their fair values.



NOTES (continued)

29 RELATED PARTY TRANSACTIONS

Transactions during the year ended 31 May 2011 with the parent undertaking, Abu Dhabi United Group Investment & Development Limited consisted only of the subscription for additional shares in the Club outlined in note 19

Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited commenced trading in the prior year. The Group received funding on behalf of this company during the year and a balance of £7,457,000 (2010 debtor of £384,000) is included in creditors due within one year

30 POST BALANCE SHEET EVENTS

Since the year end 53,860,400 shares have been issued for £114.2m in cash to parent company, Abu Dhabi United Group Investment & Development Limited on 29 July 2011

Additionally, the football registrations of Sergio Aguero (from Atletico Madrid), Gael Clichy and Samir Nasri (from Arsenal FC), Denis Suarez (from Celta Vigo) and Stefan Savic (from FK Partizan) have been acquired. The registrations of Jerome Boateng (to Bayern Munich), Shay Given (to Aston Villa FC), Joao de Silva (to Sport Club Internacional), Craig Bellamy (to Liverpool FC), Felipe Caicedo (to Levante UD) and Shaun Wright-Phillips (to Queens Park Rangers) were sold. The net expenditure on these transactions was approximately £53.6m

31 ULTIMATE PARENT UNDERTAKING

As at 31 May 2011 the Group's parent undertaking was Abu Dhabi United Group Investment & Development Limited, a company registered in the Jebel Ali Freezone. The Group's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour